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C O N F I D E N T I A L SECTION 01 OF 02 MANAMA 001257

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SUBJECT: AMBASSADOR'S MEETING WITH MINISTER OF FINANCE
SHAIKH AHMED

REF: MANAMA 1185

Classified By: Ambassador William T. Monroe, reasons 1.4 (b) and (d).

SUMMARY

1. (C) In an August 24 meeting with the Ambassador, Finance Minister Shaikh Ahmed bin Mohammed Al Khalifa reaffirmed Bahrain's commitment to move ahead quickly on implementation issues of the U.S. - Bahrain Free Trade Agreement (FTA). On the development of the G8 - BMENA Entrepreneurship Center, Shaikh Ahmed pledged his support for getting the Center up and running. He outlined an ambitious agenda for the coming year, including increased capitalization for the Bahrain Development Bank (BDB), reevaluation of the fuel subsidy, enhancing customs efficiency, port privatization and healthcare reform. End Summary.

FTA IMPLEMENTATION

2. (C) The Ambassador briefed Shaikh Ahmed on the status of FTA ratification in Washington, noting our interest that Bahrain's labor laws comply with ILO core labor standards. The Minister welcomed a planned USTR - Department of Labor mission to Bahrain in early September. The Ambassador said it was important that Bahrain move ahead quickly on any outstanding implementation issues, such as IPR, to ensure that the agreement comes into force as soon as possible. The Minister agreed, saying the GOB would devote the necessary resources on implementation issues to conclude any work on a timely basis. The Ambassador also urged Shaikh Ahmed to ensure that GOB contracts impose no Israeli boycott restrictions. Shaikh Ahmed responded that Ambassador Designate to the U.S. Nasser Belooshi had recently raised the issue and promised that a statement on Bahrain's position would be forthcoming. He also said he would review the GOB's contract language and follow-up with the Ambassador on his findings.

3. (C) The Ambassador raised the same subjects August 27 with Foreign Minister Shaikh Mohammed bin Mubarak Al Khalifa. Shaikh Mohammed said he was aware of the sensitivity of the boycott issue and pledged to work with Shaikh Ahmed and Ambassador Belooshi on it to ensure there are no concerns. He promised to talk to the Labor Minister to facilitate the visit of the USTR/Labor team. (Note: Minister of Labor Al Alawi told the Ambassador August 28 that he had received a call from the Foreign Minister and looked forward to meeting with the delegation. End Note.) He urged expeditious congressional ratification of the FTA.

ENTREPRENEURSHIP CENTER

4. (C) The Ambassador noted our concern about moving ahead with the Entrepreneurship Center. Ministry of Finance Director of Economic Planning Yousif Humood and MFA Bilateral Relations Director Dhafer Al Umran had told Emboffs previously that the GOB was hesitant to proceed before having a plan to raise funds for a building (reftel). The Ambassador said that funding for a building, or even a business plan for a building, fell outside the MEPI agenda and would not be forthcoming. The GOB should approve the arrival of the Beyster Institute expert to begin work on the Center as soon as possible.

5. (C) Shaikh Ahmed explained that the MFA is wary about starting a project without a clear vision of how it would be maintained beyond the initial two-to-three-year period. However, his own position is that even without participation from the G-8, the benefits of Beyster's activity in Bahrain stood on their own merits. He said he would be in touch with the MFA to push the project forward (Note: Subsequently the Foreign Minister gave the green light for the Beyster

Institute expert to come as soon as possible. End Note.)

FINANCE AGENDA

16. (C) Turning to financial affairs, Shaikh Ahmed said he hoped to improve the value of BDB holdings and increase income from government-held properties. He said a more robust BDB would provide a boost to the middle class by increasing the availability of business loans.

17. (C) He acknowledged that Bahrain is currently enjoying the benefits of high oil prices, but said the GOB would not depend on prices to remain high in the long term. The government would need to reevaluate its current fuel subsidy, noting that it will spend BD 44 million (USD 117 million) to subsidize fuel this year. He compared this to the BD 45 million it will spend on healthcare over the same period. "Do people want cheap gas or better healthcare and education?" he asked. "I don't think anyone has posed that type of question to the public." His additional goals include pension reform, the 2007 inauguration of a privatized port, review of governmental fiscal policy, the next budget, and revamping customs regulations. With regard to healthcare, he said the goal was to improve the quality of free healthcare over time and give patients the option to pay privately for special services and accommodations.

MONROE